



BEST SMALLER COMPANIES FUNDS

GOLD WINNERS **BT, INVESCO & PENGANA**

One year you're up and the next year you're down – it's the sharemarket roller-coaster ride

What a difference a year makes – and in this case not necessarily a good one. Last year the small companies funds on our list had three-year returns of between 25% and 30% and even better one-year returns. This year all are well in negative territory! History tells us things will turn around again – the hard part is predicting just when that will be.

If it's any consolation, the returns from inception for all these funds has been strong – with returns ranging from about 10%pa to 15%pa.

Despite poor returns, seven funds made our cut this year and three of them share top spot. It's interesting to see a mixture of well-known brands such as BT and Perpetual together with boutique funds such as Pengana and Patriot.

It's actually the first time either of these boutique funds made the cut in this category, while some of the bigger names have been regulars. For example, this is the third consecutive year the **Invesco**

RANK	FUND	APIR CODE	START DATE	RETURNS			ENTRY FEE	MER/ICR	MIN. INV'T
				1 YEAR	3 YEAR	INCEPT.			
1	BT PPSI BT Ws Smaller Cos¹	WFS0238AU	1-Aug-00	-48.44%	-2.98%pa	10.28%pa	none	1.08%pa	\$5000
1	Invesco Aust Small Cos	CNA0008AU	31-Oct-93	-43.57%	-1.38%pa	10.27%pa	none	2.14%pa	\$2000
1	Pengana Emerging Cos	PERO270AU	1-Nov-04	-48.40%	5.29%pa	10.02%pa	none	1.33%pa	\$25,000
2	ING OA IP Emg Cos EF/Sel	MMF0013AU	19-Oct-89	-41.53%	2.17%pa	15.44%pa	4.0%	1.80%pa	\$1000
2	Patriot Small Cos	PAT0002AU	30-Jun-05	-42.41%	7.26%pa	10.93%pa	none	1.13%pa	\$20,000
2	Perpetual's IC Sm Cos Sh²	PERO039AU	25-May-95	-43.40%	-2.91%pa	13.45%pa	4.0%	1.95%pa	\$2000
2	UBS Emerging Cos	UBS0004AU	31-Mar-04	-35.62%	5.01%pa	12.12%pa	none	1.10%pa	\$20,000

Source: Morningstar. ¹Similar fund, RFA0012AU, with higher entry fee and ongoing fee also rated well. ²Perpetual WFI Perpetual Smaller Cos, PERO113AU, is essentially the same fund with a different structure and rated equally.

Australian Small Companies Fund has picked up gold. The fund typically consists of a portfolio of 50-80 quality Australian small companies, predominantly outside the S&P/ASX 100 Index. According to its website, Invesco is only interested in companies "with a track record of delivering on growth expectations and a clear income stream", and as a result avoids companies in the small resources sector such as speculative miners.

The **Pengana Emerging Companies Fund** invests in securities listed or soon to be

listed on the Australian or New Zealand stock exchanges as long as they don't fall into the S&P/ASX 50 Leaders Index. Fund managers Steve Black and Ed Prendergast are also part-owners of the business.

In its September 2008 quarterly review, Pengana urges investors to be patient. "There are some highly attractive investment opportunities for patient investors, and keeping a level head in such times is critical," says the review.

"At some point hysteria will die down, and investors' time horizons will extend beyond

what the Dow did overnight. In the meantime we believe we are very well positioned to ride out the storm through a defensive portfolio and highly experienced investment team."

Money's third gold winner, the **BT Smaller Companies Fund**, invests in companies outside the top 100 listed on the Australian Stock Exchange and their equivalent on the New Zealand Stock Exchange. BT looks for smaller companies that it believes are trading below their assessed valuation and are expected to grow their profits quickly.